

4/30/1982

BARRICK PETROLEUM CORPORATION

(Formerly BRG Resources Inc.)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1981

(Expressed in United States Dollars)

**Coopers
& Lybrand**

30 April, 1982

AUDITOR'S REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Barrick Petroleum Corporation as at December 31, 1981 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

BARRICK PETROLEUM CORPORATION

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1981

ASSETS

	1981 \$	1980 \$
CURRENT ASSETS		
Cash and short-term deposits	5,740,492	4,300,793
Accounts receivable	256,850	-
Due from a related company	590,340	-
Subscriptions receivable	-	418,831
Prepaid expenses	<u>135,531</u>	<u>-</u>
	6,723,213	4,719,624
OIL AND GAS INTERESTS (Note 4)	9,344,707	350,000
PROPERTY AND EQUIPMENT	<u>393,222</u>	<u>-</u>
	<u>16,461,142</u>	<u>5,069,624</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued liabilities	2,522,157	31,458
Due to related companies	<u>290,495</u>	<u>64,198</u>
	2,812,652	95,656
MINORITY INTERESTS	12,844	-

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 7)	15,350,315	5,075,095
DEFICIT	<u>(1,714,669)</u>	<u>(101,127)</u>
	13,635,646	4,973,968
	<u>16,461,142</u>	<u>5,069,624</u>

SIGNED ON BEHALF OF THE BOARD

Director_____
Director

BARRICK PETROLEUM CORPORATION

**CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1981**

	1981 \$	October 10, 1980 to December 31, 1980 \$
REVENUE		
Interest income	756,359	74,217
Professional fees	<u>98,084</u>	<u>-</u>
	<u>854,443</u>	<u>74,217</u>
EXPENSE		
Depreciation and amortization	101,935	-
Exploration costs written off	698,513	-
Professional fees	785,455	33,431
General and administrative expenses	882,472	63,616
Foreign exchange (gain) loss	<u>(5,663)</u>	<u>78,297</u>
	<u>2,462,712</u>	<u>175,344</u>
LOSS FOR THE PERIOD BEFORE MINORITY INTERESTS	1,608,269	101,127
MINORITY INTERESTS	<u>5,273</u>	<u>-</u>
LOSS FOR THE PERIOD	1,613,542	101,127
DEFICIT AT BEGINNING OF PERIOD	<u>101,127</u>	<u>-</u>
DEFICIT AT END OF PERIOD	<u><u>1,714,669</u></u>	<u><u>101,127</u></u>

BARRICK PETROLEUM CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1981

	1981 \$	October 10, 1980 to December 31, 1980 \$
SOURCES OF WORKING CAPITAL		
Issue of capital stock	10,275,220	5,075,095
Farmout of oil and gas interests	<u>2,779,251</u>	<u>-</u>
	<u>13,054,471</u>	<u>5,075,095</u>
USES OF WORKING CAPITAL		
Loss for the period	1,613,542	101,127
Items not affecting working capital		
Depreciation and amortization	(101,935)	-
Minority interests	<u>(5,273)</u>	<u>-</u>
Used in operations	1,506,334	101,127
Investment in oil and gas interests	11,765,268	350,000
Purchase of fixed assets	401,684	-
Business acquisition (net of working capital acquired of \$68,646)	<u>94,592</u>	<u>-</u>
	<u>13,767,878</u>	<u>451,127</u>
(DECREASE) INCREASE IN WORKING CAPITAL	(713,407)	4,623,968
WORKING CAPITAL - BEGINNING OF PERIOD	<u>4,623,968</u>	<u>-</u>
WORKING CAPITAL - END OF PERIOD	<u><u>3,910,561</u></u>	<u><u>4,623,968</u></u>

BARRICK PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1981

1. NATURE OF OPERATIONS

The Company's activities, which are predominantly in the United States of America, include the acquisition of interests in oil and gas properties to explore for and develop oil and gas reserves, the purchase and sale of leasehold interests in prospective oil and gas areas and providing international geological and geophysical consulting services.

2. ACCOUNTING POLICIES

The accounting policies of the Company, which is incorporated under the laws of Canada, are in accordance with Canadian generally accepted accounting principles. Outlined below are those policies considered particularly significant for the Company.

(a) Oil and gas interests

The Company follows the full cost method of accounting for oil and gas interests whereby all costs relating to the exploration and development of oil and gas reserves are capitalized. Such costs include land acquisition costs, geological and geophysical expenses, engineering fees, related direct administrative expenses and costs of drilling both productive and non-productive wells.

Costs are allocated to a separate cost centre for each country in which the Company operates and will be amortized using the unit of production method based upon the estimated proven oil and gas reserves in each country. The recoverability of deferred exploration costs is dependent upon the existence of economically recoverable reserves and, as yet, exploration has not proceeded to the stage where it is possible to determine whether such reserves are present on these properties.

A subsidiary of the Company acquires leasehold interests in the United States with the intention of selling the interests for a profit within a relatively short period. The costs of acquiring these interests, together with certain data acquisition and leasehold enhancement costs, are included in oil and gas interests. When a leasehold interest is sold the resulting profit or loss is taken into income.

(b) Basis of consolidation

The consolidated financial statements include the accounts of the Company and all subsidiaries. The accounts of the subsidiaries are consolidated using the purchase method of accounting. A significant portion of the Company's oil and gas activities are conducted jointly with others, and accordingly, the accounts reflect the Company's proportionate interest in such activities.

(c) Translation of foreign currencies

Foreign currencies have been translated into United States dollars as follows: current assets and current liabilities at the rate in effect at the end of the period; investments, capital stock and revenue and expenditure items at rates in effect at dates of transactions.

BARRICK PETROLEUM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981(d) **Fixed assets**

Fixed assets are recorded at cost and depreciated on a straight line basis over their estimated useful lives.

(e) **Income taxes**

The Company follows the tax allocation method of accounting whereby the provision for income taxes is based upon income reported in the accounts.

3. **BUSINESS ACQUISITION**

On July 15, 1981, the Company acquired all of the outstanding voting shares of McKinlay Smith International Limited, a geological and geophysical consulting company, in exchange for 50,000 Class A common shares and a payment of \$50,000. The net assets acquired amounted to \$75,908 and the goodwill arising of \$94,901 has been written off. The acquisition has been accounted for as a purchase and, accordingly, the operations of McKinlay Smith International Limited are included in the consolidated statement of loss and deficit from the date of acquisition.

4. **OIL AND GAS INTERESTS**

Subsidiaries of the Company and an affiliated company have entered into agreements to acquire, explore and develop oil and gas opportunities on various properties situated throughout the world. To date all expenditures relate to the acquisition and exploration of such properties.

A subsidiary of the Company also acquires and enhances leasehold interests for the purpose of selling such interests within a relatively short period of time.

A geographical summary of the above oil and gas expenditures is as follows:

	\$
Acquisition and exploration	
U.S.A.	4,075,809
Tunisia	833,233
Turkey	346,578
Australia	186,689
New Zealand	<u>42,411</u>
	5,484,720
Leasehold interests	
U.S.A.	<u>3,859,987</u>
	<u><u>9,344,707</u></u>

BARRICK PETROLEUM CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981

5. PROPERTY AND EQUIPMENT

	\$
Cost	
Computer equipment	193,883
Exploration equipment	86,889
Automobiles, furniture and fixtures and leasehold improvements	<u>129,409</u>
	410,181
Accumulated depreciation	<u>(16,959)</u>
	<u><u>393,222</u></u>

6. JOINT VENTURES

The consolidated balance sheet includes the Company's share of the assets and liabilities of the joint ventures in which it has invested as follows:

	\$
Oil and gas interests (at cost)	3,976,685
Equipment (at cost, less accumulated depreciation)	78,199
Working capital	<u>59,232</u>
	<u><u>4,114,116</u></u>

7. CAPITAL STOCK

Authorized -

Class "A" - unlimited number of non-voting common shares without par value.

Class "B" - unlimited number of voting common shares without par value.

	Number of Shares	\$
Issued and fully paid -		
Class "A"		
Balance at beginning of period	6,000,000	5,074,253
Issued during the period -		
For cash	9,341,667	10,171,382
In consideration for the acquisition of McKinlay Smith International	<u>50,000</u>	<u>103,838</u>
Balance at end of period	15,391,667	15,349,473
Class "B"		
Balance at beginning and end of period	<u>1,000</u>	<u>842</u>
	<u><u>15,392,667</u></u>	<u><u>15,350,315</u></u>

BARRICK PETROLEUM CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1981**

The Board of Directors has approved share options on Class "A" shares totalling 1,875,000 shares in recognition of services rendered to the Company. The options vary in price from \$1.00 (Canadian) per share to a price equivalent to the price at which shares are first offered to the public. Depending upon the terms of the agreement, the options expire from thirty days following notice of call, to up to four years following the date of the first public offering.

8. INCOME TAXES

The Company has losses for Canadian tax purposes of approximately \$856,000 which may be carried forward to reduce taxable income in future years and for which no future tax benefit has been recognized in the accounts. These losses expire by December 31, 1986.

The Company, through its United States subsidiaries, has tax net operating losses of approximately \$1,055,000 which can be carried forward to reduce taxable income of the subsidiaries until 1996. Approximately \$850,000 of oil and gas expenditures have been deducted for tax purposes which have not been deducted for financial statement purposes. The net future tax benefit of \$205,000 has not been recognized in these accounts.

9. COMMITMENTS

The Company is required to spend approximately \$7,500,000 under the terms of certain oil and gas agreements.

10. RELATED PARTY TRANSACTIONS

Exploration costs written off include an amount of \$447,000, relating to the sale of an oil and gas interest to a related company. General and administrative expenses include reimbursements of \$400,000 to a related company for expenses paid on the Company's behalf.